

**SANITARY AND IMPROVEMENT DISTRICT NO. 240
OF SARPY COUNTY, NEBRASKA**

**BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
(WITH INDEPENDENT AUDITORS' REPORT THEREON)**

YEAR ENDED JUNE 30, 2013

**SANITARY AND IMPROVEMENT DISTRICT NO. 240
OF SARPY COUNTY, NEBRASKA**

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1-3
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	4
Statement of Activities	5
Fund Financial Statements	
Balance Sheet	6
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	7
Statement of Revenues, Expenditures and Changes in Fund Balances	8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	9
Notes To Basic Financial Statements	10-17
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedules	
Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual – General Fund	18
Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual – Debt Service Fund	19
Notes to Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	20-21
SUPPLEMENTARY INFORMATION	
Information Required by Section 31-740	
Reissued Revised Statutes of Nebraska, 2008	22
Trustees and Related Bonds	23
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	24-25

HANCOCK & DANA PC

ACCOUNTANTS & CONSULTANTS

12829 WEST DODGE ROAD

SUITE 100

OMAHA, NEBRASKA 68154-2155

(402) 391-1065 FAX (402) 334-9498

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
Sanitary and Improvement District No. 240
of Sarpy County, Nebraska

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Sanitary and Improvement District No. 240 of Sarpy County, Nebraska (a political subdivision) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

INDEPENDENT AUDITORS' REPORT - continued

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Sanitary and Improvement District No. 240 of Sarpy County, Nebraska as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that Sanitary and Improvement District No. 240 of Sarpy County, Nebraska will continue as a going concern. As discussed in Note I to the basic financial statements, the District has \$6,052,203 of outstanding debt service fund warrants maturing on July 10, 2014. The due date of these warrants was extended by an order of the Sarpy County District Court on July 8, 2013 since the District did not have sufficient funds to retire the warrants and was unable to sell bonds in sufficient amounts to retire them. The development of the District has continued to be slow and, as a result, the tax base is lower than anticipated and is not sufficient to support the District's debt. These conditions raise substantial doubt about its ability to continue as a going concern. Management's plans regarding those matters are described in Note I. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 18 through 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has not presented Management's Discussion and Analysis, that governmental accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

INDEPENDENT AUDITORS' REPORT - continued

Supplementary Information

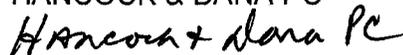
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sanitary and Improvement District No. 240 of Sarpy County, Nebraska's basic financial statements. The supplementary information on pages 22 and 23 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2013 on our consideration of Sanitary and Improvement District No. 240 of Sarpy County, Nebraska's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sanitary and Improvement District No. 240 of Sarpy County, Nebraska's internal control over financial reporting and compliance.

HANCOCK & DANA PC



Omaha, Nebraska
December 30, 2013

**SANITARY AND IMPROVEMENT DISTRICT NO. 240
OF SARPY COUNTY, NEBRASKA
Statement of Net Position
June 30, 2013**

ASSETS

Cash on deposit - County Treasurer	\$ 1,097,438
Taxes receivable	48,475
Special assessments receivable	1,135,655
Other receivable	2,852
Interest receivable on special assessments	680,385
Capital assets, net of accumulated depreciation	3,328,384
Total Assets	\$ <u>6,293,189</u>

LIABILITIES

Accounts payable	12,502
Accrued interest	508,599
Noncurrent liabilities, warrants payable	
Due in more than one year	7,986,974
Total Liabilities	\$ <u>8,508,075</u>

NET POSITION

Net investment in capital assets	(4,604,742)
Restricted for debt service	2,427,076
Unrestricted	(37,220)
Total Net Position	\$ <u>(2,214,886)</u>

See accompanying notes to basic financial statements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 240
OF SARPY COUNTY, NEBRASKA
Statement of Activities
For the year ended June 30, 2013**

GOVERNMENTAL ACTIVITIES:

EXPENSES - GENERAL GOVERNMENT

Professional and administrative expenses	\$ 42,997
Maintenance and street lighting	53,960
Depreciation	157,848
Interest	555,452
	<u>810,257</u>

GENERAL REVENUES

Property taxes, net of uncollectible taxes	116,256
Interest	112,331
Miscellaneous	219
	<u>228,806</u>

Change in net position **(581,451)**

Net position - beginning of year	<u>(1,633,435)</u>
Net position - end of year	<u>\$ (2,214,886)</u>

See accompanying notes to basic financial statements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 240
OF SARPY COUNTY, NEBRASKA
Balance Sheet
Governmental Funds
June 30, 2013**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash on deposit - County Treasurer	\$ 4,567	\$ 1,092,871	\$ 1,097,438
Taxes receivable	22,811	25,664	48,475
Special assessments receivable	-	1,135,655	1,135,655
Due from general fund	-	1,345	1,345
Other receivable	2,852	-	2,852
Total Assets	<u>\$ 30,230</u>	<u>\$ 2,255,535</u>	<u>\$ 2,285,765</u>
LIABILITIES			
Accounts payable	\$ 12,502	\$ -	\$ 12,502
Due to debt service fund	1,345	-	1,345
Special assessments deferred revenue	-	1,135,655	1,135,655
Total Liabilities	<u>13,847</u>	<u>1,135,655</u>	<u>1,149,502</u>
FUND BALANCES			
Restricted for debt service	-	1,119,880	1,119,880
Unassigned	16,383	-	16,383
Total Fund Balances	<u>16,383</u>	<u>1,119,880</u>	<u>1,136,263</u>
Total Liabilities and Fund Balances	<u>\$ 30,230</u>	<u>\$ 2,255,535</u>	<u>\$ 2,285,765</u>

See accompanying notes to basic financial statements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 240
OF SARPY COUNTY, NEBRASKA
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
June 30, 2013**

Total Fund Balances - Governmental Funds		\$ 1,136,263
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, not reported in the governmental funds.</p>		
Capital assets	\$ 4,687,191	
Accumulated depreciation	<u>(1,358,807)</u>	3,328,384
<p>Deferred revenue on special assessments in the governmental funds has been recorded as revenue in the government-wide statements.</p>		
		1,135,655
<p>Interest is accrued as revenue on unpaid special assessments in the government-wide statements whereas interest on special assessments is recorded as revenue in the governmental funds when collected.</p>		
		680,385
<p>Long-term liabilities are not due and payable in the current period and, therefore, not reported in the governmental funds:</p>		
Warrants payable	(7,986,974)	
Accrued interest	<u>(508,599)</u>	<u>(8,495,573)</u>
Net Position of Governmental Activities		\$ <u>(2,214,886)</u>

See accompanying notes to basic financial statements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 240
OF SARPY COUNTY, NEBRASKA**
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2013

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes assessed	\$ 54,718	\$ 61,558	\$ 116,276
Special assessments	-	266,253	266,253
Interest on special assessments	-	151,944	151,944
Interest on taxes	19	22	41
State motor vehicle tax allocation	102	115	217
Taxes in excess of levy	-	28	28
Total Revenues	<u>54,839</u>	<u>479,920</u>	<u>534,759</u>
EXPENDITURES			
Current:			
Collection fees - County Treasurer	1,118	9,622	10,740
Engineering fees	10,885	-	10,885
Insurance	677	-	677
Professional fees	31,580	-	31,580
Repairs and maintenance	27,651	-	27,651
Street lighting	15,424	-	15,424
Uncollectible taxes	48	-	48
Capital outlay - improvements, net of refunds	-	(31,898)	(31,898)
Debt service:			
Warrant principal payments	54,175	-	54,175
Warrant interest payments	2,160	518,990	521,150
Total Expenditures	<u>143,718</u>	<u>496,714</u>	<u>640,432</u>
Excess of revenues under expenditures	<u>(88,879)</u>	<u>(16,794)</u>	<u>(105,673)</u>
OTHER FINANCING SOURCES			
Warrants issued	86,730	518,990	605,720
Total Other Financing Sources	<u>86,730</u>	<u>518,990</u>	<u>605,720</u>
Net change in fund balances	(2,149)	502,196	500,047
Fund balances - beginning of year	18,532	617,684	636,216
Fund balances - end of year	\$ <u>16,383</u>	\$ <u>1,119,880</u>	\$ <u>1,136,263</u>

See accompanying notes to basic financial statements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 240
OF SARPY COUNTY, NEBRASKA
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
For the year ended June 30, 2013**

Net Change in Fund Balances - Total Governmental Funds **\$ 500,047**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays, net of refunds, as expenditures. However, in the statement of activities, the cost of those assets is capitalized and is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays, net of refunds, in the current year. (189,746)

Proceeds from issuance of warrants are reported as an other financing source in the governmental funds, but as an increase in noncurrent liabilities in the government-wide financial statements. This is the amount of proceeds in the current year. (605,720)

Repayment of principal on noncurrent liabilities is reported as an expenditure in the governmental funds. In the statement of net position, the repayment reduces long-term liabilities. This is the amount of warrant principal payments in the current year. 54,175

Certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These expenses consist of:
Change in accrued interest (34,302)

Collections on special assessments and interest thereon have been reported as revenues in the governmental funds but are reported as decreases in receivables on the statement of net position. This is the amount of collections on special assessments and the change in accrued interest thereon. (305,905)

Change in Net Position of Governmental Activities **\$ (581,451)**

See accompanying notes to basic financial statements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 240
OF SARPY COUNTY, NEBRASKA**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Sanitary and Improvement District No. 240 of Sarpy County, Nebraska comply with the rules and regulations of the State of Nebraska, and conform in all material respects to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant policies.

DEFINITION OF DISTRICT – The District is a governmental subdivision created with the filing of the Petition and Articles of Association with the Secretary of State, State of Nebraska. The District was formed for the purpose of installing sewers, water, and public road systems within the District and contracting for water, fire protection, and lighting for roads. The District is located in Sarpy County and is commonly known as Pebblebrooke.

REPORTING ENTITY – The Board of Trustees has governance responsibilities over all activities related to public improvements within the jurisdiction of the District. The accompanying financial statements present the District's primary government unit and do not include any component units because the District does not exercise financial accountability over any separate units. Financial accountability is based primarily on operational or financial relationships with the District including budget adoption, taxing authority, funding, and appointment of the respective governing board.

The Sarpy County Treasurer is the ex-officio treasurer of the District. All cash transactions and funds are required to be administered and recorded by the County Treasurer.

BASIS OF PRESENTATION – For the fiscal year ended June 30, 2013, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. GASB Statement No. 63 establishes accounting and financial reporting standards for deferred outflows of resources or deferred inflows of resources and net position together with related disclosures. At June 30, 2013, the District did not have any deferred outflows of resources or deferred inflows of resources, as defined by GASB Statement No. 63. However, see Note G for a description of the District's net position, as required by GASB Statement No. 63.

The basic financial statements of the District include the government-wide and the fund financial statements.

Government-Wide Financial Statements – The government-wide financial statements include the statement of net position and the statement of activities, which report financial information for all nonfiduciary activities of the District. Individual funds are not displayed and internal activity between or within funds are eliminated. Governmental activities include programs supported primarily by taxes and other intergovernmental revenue. The District has no business type activities that rely, to a significant extent, on fees and charges for support.

**SANITARY AND IMPROVEMENT DISTRICT NO. 240
OF SARPY COUNTY, NEBRASKA**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. The following is a description of the District's two governmental funds:

General Fund - The general fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund - The debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term principal, interest and related costs.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING – Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported on the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

In the government-wide financial statements, the activities are accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of related cash flows.

**SANITARY AND IMPROVEMENT DISTRICT NO. 240
OF SARPY COUNTY, NEBRASKA**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

In the governmental fund financial statements, the funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when they become both measurable and available. Measurable means that the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred except for debt service expenditures and other long-term liabilities, which are recorded only when due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from long-term debt are reported as an other financing source in governmental funds.

The Districts reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue criteria are met, the liability for deferred revenue is removed from the governmental funds balance sheet and revenue is recognized.

INVESTMENTS – Investments are stated at amortized cost, which approximates market. Premiums or discounts on investments are amortized on the straight-line method from date of purchase to date of maturity.

CAPITAL ASSETS – Within the government-wide financial statements, capital assets, including primarily infrastructure, are recorded at historical cost. The District defines capital assets as assets with an individual cost of more than \$500 and an estimated useful life in excess of one year. Capital assets are depreciated using the straight-line method over their estimated useful lives in the government-wide statements.

The estimated useful lives are as follows:

Sanitary and Storm Sewer Systems	25-30 years
Underground Power and Water Systems	25 years
Paving	40 years
Miscellaneous Infrastructure	25 years

RISK MANAGEMENT – The District is exposed to various risks of loss, including those related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has purchased a commercial general liability insurance policy and bonds on its chairman and clerk to minimize the adverse effects of certain types of losses. There have been no significant reductions in insurance coverage and no significant claims or settlements for the current year and the three prior years. The District has retained the risk of loss for property damage to its public improvements.

**SANITARY AND IMPROVEMENT DISTRICT NO. 240
OF SARPY COUNTY, NEBRASKA**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

CREDIT RISK – Receivables for property taxes and special assessments are due from property owners within the boundaries of the District located in Sarpy County, Nebraska.

INTERFUND TRANSACTIONS – Interfund transactions are reflected as loans and are subject to elimination in the preparation of the government-wide financial statements. The balance due by the general fund to the debt service fund at June 30, 2013 resulted from improvement refunds deposited in the general fund rather than the debt service fund.

USE OF ESTIMATES – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

SUBSEQUENT EVENTS – The District has evaluated subsequent events through December 30, 2013, the date which the financial statements were available to be issued.

NOTE B – INVESTMENTS

The District is allowed to invest funds as permitted by Nebraska Statutes and allowable investments generally include U.S. government obligations, certificates of deposit and time deposits. The District does not have a formal investment policy in place.

All investment activities are conducted through the County Treasurer and investments are held in the County's name.

During the year ended June 30, 2013, the District held no investments and, accordingly, was not subject to interest rate risk or custodial credit risk as of that date.

NOTE C – SPECIAL ASSESSMENTS

SPECIAL ASSESSMENT LEVY OF MARCH 9, 2005 – Special assessments in the amount of \$1,206,775 were levied against certain properties within the District in connection with the construction of improvements. Special assessments are due in ten annual installments through March, 2015 and bear interest as specified in the levy (7% per annum until delinquent and 9% per annum thereafter until paid.) The balance due on this levy at June 30, 2013 was \$540,701.

**SANITARY AND IMPROVEMENT DISTRICT NO. 240
OF SARPY COUNTY, NEBRASKA**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE C – SPECIAL ASSESSMENTS - Continued

SPECIAL ASSESSMENT LEVY OF MAY 17, 2006 – Special assessments in the amount of \$767,404 were levied against certain properties within the District in connection with the construction of improvements. Special assessments are due in ten annual installments through May, 2016 and bear interest as specified in the levy (7.5% per annum until delinquent and 9.5% per annum thereafter until paid.) The balance due on this levy at June 30, 2013 was \$594,954.

NOTE D – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 is as follows:

	<u>Balance</u> <u>June 30, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2013</u>
Governmental Activities:				
Depreciable Capital Assets:				
Sanitary and Storm				
Sewer Systems	\$ 2,197,307	\$ -	\$ -	\$ 2,197,307
Underground Power				
and Water Systems	1,185,457	-	-	1,185,457
Paving	467,562	-	-	467,562
Miscellaneous Infrastructure				
(Principally Legal and				
Financing Fees)	<u>607,945</u>	<u>-</u>	<u>-</u>	<u>607,945</u>
	<u>4,458,271</u>	<u>-</u>	<u>-</u>	<u>4,458,271</u>
Accumulated Depreciation:				
Sanitary and Storm				
Sewer Systems	569,705	74,328	-	644,033
Underground Power				
and Water Systems	361,691	47,513	-	409,204
Paving	93,300	11,689	-	104,989
Miscellaneous Infrastructure	<u>176,263</u>	<u>24,318</u>	<u>-</u>	<u>200,581</u>
	<u>1,200,959</u>	<u>157,848</u>	<u>-</u>	<u>1,358,807</u>
Net Depreciable Capital Assets	<u>3,257,312</u>	<u>(157,848)</u>	<u>-</u>	<u>3,099,464</u>
Non-depreciable Capital Assets:				
Interceptor Sewer Fees	229,985	-	31,898	198,087
Easements	<u>30,833</u>	<u>-</u>	<u>-</u>	<u>30,833</u>
	<u>260,818</u>	<u>-</u>	<u>31,898</u>	<u>228,920</u>
Capital Assets, net	<u>\$ 3,518,130</u>	<u>\$ (157,848)</u>	<u>\$ 31,898</u>	<u>\$ 3,328,384</u>

NOTE E – NONCURRENT LIABILITIES – WARRANTS PAYABLE

General fund warrants are due 3 years from the date of issuance. Debt service fund warrants are due 5 years from the date of issuance. On July 8, 2013, the maturity dates of debt service fund warrants totaling \$6,052,203 were extended to July 10, 2014 by an order of the Sarpy County District Court. The warrants covered by this order continue to accrue interest at the rate shown on the face of each individual warrant.

**SANITARY AND IMPROVEMENT DISTRICT NO. 240
OF SARPY COUNTY, NEBRASKA**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE E – NONCURRENT LIABILITIES – WARRANTS PAYABLE - Continued

Warrants registered with the County bear interest at 7% per annum. Interest accrues on the warrants from the date of registration to the date they are called for payment.

The summary of warrant activity is as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Balance Outstanding, June 30, 2012	\$ 21,292	\$ 7,414,137	\$ 7,435,429
Warrants Issued	86,730	518,990	605,720
Warrant Principal Payments	(54,175)	-	(54,175)
Balance Outstanding, June 30, 2013	<u>\$ 53,847</u>	<u>\$ 7,933,127</u>	<u>\$ 7,986,974</u>

Outstanding warrants mature as follows:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Fiscal year ending June 30, 2015	\$ -	\$ 6,475,795	\$ 6,475,795
2016	53,847	938,342	992,189
2018	-	518,990	518,990
	<u>\$ 53,847</u>	<u>\$ 7,933,127</u>	<u>\$ 7,986,974</u>

Substantially all warrants outstanding at June 30, 2013 had been registered with the County.

NOTE F – PROPERTY TAXES

Property taxes are levied in September and attach as an enforceable lien on the assessed property as of December 31. The first half payment becomes delinquent April 1 of the following year and the second half payment becomes delinquent August 1 of the following year. The Sarpy County Treasurer bills and collects all property taxes for the District.

The District has levied taxes for the year ended June 30, 2013 as follows:

GENERAL FUND	DEBT SERVICE FUND	ASSESSED	TAXES
<u>(Cents per \$100 Valuation)</u>	<u>FUND</u>	<u>VALUATION</u>	<u>LEVIED</u>
40.00	45.00	\$ 13,679,576	\$ 116,276

**SANITARY AND IMPROVEMENT DISTRICT NO. 240
OF SARPY COUNTY, NEBRASKA**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE G – NET POSITION AND FUND BALANCES

Net position in the government-wide financial statements is classified into three components:

Net investment in capital assets – capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgage notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – represents constraints on resources that are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments imposed by law through state statute.

Unrestricted net position – all other assets that do not meet the definition of “restricted” or “net investment in capital assets”.

Fund balances of the governmental funds are classified as follows:

Non-spendable – amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements, or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the Board of Trustees. The Board of Trustees is the highest level of decision making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board of Trustees.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Only the Board of Trustees may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Trustees has provided otherwise in its commitment or assignment actions.

**SANITARY AND IMPROVEMENT DISTRICT NO. 240
OF SARPY COUNTY, NEBRASKA**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2013

NOTE H – PENDING GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, was issued in April 2012 and will be effective for the financial statements of the District for the year ending June 30, 2014. This statement provides further guidance on the accounting and reporting of deferred outflows of resources, deferred inflows of resources and certain items previously reported as assets and liabilities. More specifically, the adoption of this statement by the District in fiscal 2014 will result in the reclassification of special assessments deferred revenue of \$1,135,655 at June 30, 2013 on the governmental funds balance sheet from a liability to a deferred inflow of resources.

NOTE I – GOING CONCERN ISSUES

As described in Note E, there are debt service fund warrants of \$6,052,203 maturing July 10, 2014. The due date of these warrants was extended by an order of the Sarpy County District Court on July 8, 2013 since the District did not have sufficient funds to retire the warrants and was unable to sell bonds in sufficient amounts to retire them. The development in the District has continued to be slow and, as a result, the tax base is lower than anticipated and not sufficient to support the District's debt. These factors create an uncertainty about the District's ability to continue as a going concern. Management believes increased development could occur, and if this development does occur, the District may apply for an extension of the warrants coming due in hopes that increased valuation can make the District more financially viable. However, if development does not occur, a bankruptcy filing is a realistic possibility. The ability of the District to continue as a going concern is dependent on the success of the aforementioned plans and further development in the District. The financial statements do not include any adjustments relating to the recoverability and classification of reported assets or the amounts and classification of liabilities that might be necessary if the District is unable to continue as a going concern.

**REQUIRED SUPPLEMENTARY INFORMATION
(OTHER THAN MD&A)**

**SANITARY AND IMPROVEMENT DISTRICT NO. 240
OF SARPY COUNTY, NEBRASKA
Required Supplementary Information - Unaudited
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the year ended June 30, 2013**

	Budget - Original/ Final	(Budgetary Basis) Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Taxes assessed	\$ 54,718	\$ 55,892	\$ 1,174
Interest on taxes	-	19	19
State motor vehicle tax allocation	150	102	(48)
Property tax credit	-	1,419	1,419
Homestead exemption	-	438	438
Miscellaneous	-	1,346	1,346
Total Revenues	54,868	59,216	4,348
EXPENDITURES			
Current:			
Collection fees - County Treasurer	1,073	1,118	(45)
Engineering fees	10,000	12,676	(2,676)
Insurance	1,000	677	323
Professional fees	30,000	29,470	530
Repairs and maintenance	25,000	27,118	(2,118)
Street lighting	15,000	16,788	(1,788)
	82,073	87,847	(5,774)
Debt service:			
Warrant principal payments	52,293	57,027	(4,734)
Warrant interest payments	2,000	2,160	(160)
	54,293	59,187	(4,894)
Total Expenditures	136,366	147,034	(10,668)
Excess of revenues under expenditures	(81,498)	(87,818)	(6,320)
OTHER FINANCING SOURCES			
Warrants issued	81,000	86,730	5,730
	81,000	86,730	5,730
Net change in fund balances	(498)	(1,088)	(590)
Fund balances - beginning of year	5,655	5,655	-
Fund balances - end of year	\$ 5,157	\$ 4,567	\$ (590)

See accompanying notes to schedules of revenues, expenditures and changes in fund balances - budget and actual.

**SANITARY AND IMPROVEMENT DISTRICT NO. 240
OF SARPY COUNTY, NEBRASKA
Required Supplementary Information - Unaudited
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Debt Service Fund
For the year ended June 30, 2013**

	<u>Budget - Original/ Final</u>	<u>(Budgetary Basis) Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Taxes assessed	\$ 61,558	\$ 62,879	\$ 1,321
Interest on taxes	-	22	22
Special assessments	30,000	266,253	236,253
Interest on special assessments	10,000	151,944	141,944
Interest on investments	200	-	(200)
State motor vehicle tax allocation	150	115	(35)
Property tax credit	-	1,597	1,597
Homestead exemption allocation	-	493	493
Total Revenues	<u>101,908</u>	<u>483,303</u>	<u>381,395</u>
EXPENDITURES			
Current:			
Collection fees - County Treasurer	1,207	9,622	(8,415)
	<u>1,207</u>	<u>9,622</u>	<u>(8,415)</u>
Capital outlay:			
Improvements, net of refunds	-	(30,552)	30,552
Debt service:			
Warrant interest payments	520,000	518,990	1,010
	<u>520,000</u>	<u>518,990</u>	<u>1,010</u>
Total Expenditures	<u>521,207</u>	<u>498,060</u>	<u>23,147</u>
Excess of revenues under expenditures	<u>(419,299)</u>	<u>(14,757)</u>	<u>404,542</u>
OTHER FINANCING SOURCES			
Warrants issued	520,000	518,990	(1,010)
	<u>520,000</u>	<u>518,990</u>	<u>(1,010)</u>
Net change in fund balances	100,701	504,233	403,532
Fund balances - beginning of year	588,638	588,638	-
Fund balances - end of year	<u>\$ 689,339</u>	<u>\$ 1,092,871</u>	<u>\$ 403,532</u>

See accompanying notes to schedules of revenues, expenditures and changes in fund balances - budget and actual.

**SANITARY AND IMPROVEMENT DISTRICT NO. 240
OF SARPY COUNTY, NEBRASKA**

**REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
NOTES TO SCHEDULES OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2013

BUDGETS AND BUDGETARY ACCOUNTING

The District is required to adopt an annual operating budget for all the funds over which the District controls. Budgets are adopted by the District for the general and debt service funds. The budget is adopted using a cash basis of accounting which differs significantly from generally accepted accounting principles (GAAP). Under the cash basis of accounting, revenues and expenditures are recorded when cash is received or paid. Payment is deemed to have been made when warrants are issued. Accordingly, adjustments are necessary to convert the revenues and expenditures as reported on the governmental fund statements to the budgetary basis for comparison with budgetary data in the accompanying schedules of revenues, expenditures and changes in fund balances - budget and actual. Fund balance on the budgetary basis consists of cash on deposit with the County Treasurer and the original purchase cost of investments. Encumbrance accounting is not used by the District.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1) In September of each year the District submits a proposed operating budget for all funds to the real estate owners of the District.
- 2) Notice of place and time of public hearings must be published prior to the public hearings.
- 3) Public hearings are conducted to obtain taxpayer comment.
- 4) After publication and hearing, the budget is legally adopted by majority vote of the Board. The District is required to file a copy of the adopted budget with the County Clerk and the Nebraska Auditor of Public Accounts in accordance with the Nebraska Budget Act.
- 5) The budget is adopted on a per-fund basis and budgetary control is exercised at the fund level.
- 6) Appropriations lapse at year-end, however, the Board of Trustees may authorize supplemental appropriations during the year. No such appropriations were made during the fiscal year ended June 30, 2013.

In fiscal 2013, the District incurred general fund expenditures of approximately \$10,600 in excess of those budgeted for this fund. However, total expenditures for the general and debt service funds did not exceed the total budgeted for these funds.

**SANITARY AND IMPROVEMENT DISTRICT NO. 240
OF SARPY COUNTY, NEBRASKA**

**REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
NOTES TO SCHEDULES OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL**

FOR THE YEAR ENDED JUNE 30, 2013

RECONCILIATION OF BUDGET BASIS TO GAAP

A reconciliation for the year ended June 30, 2013, which discloses the nature and amount of adjustments necessary to convert the budgetary basis to a GAAP basis, is presented below:

	<u>General Fund</u>	<u>Debt Service Fund</u>
Net change in fund balances:		
Balance on a budgetary basis	\$ (1,088)	\$ 504,233
Adjustments:		
Revenue for receivable	(4,425)	(3,383)
Expenditures for payables	<u>3,364</u>	<u>1,346</u>
Balance on a GAAP basis	\$ <u>(2,149)</u>	\$ <u>502,196</u>

SUPPLEMENTARY INFORMATION

**SANITARY AND IMPROVEMENT DISTRICT NO. 240
OF SARPY COUNTY, NEBRASKA**

**INFORMATION REQUIRED BY SECTION 31-740
REISSUED REVISED STATUTES OF NEBRASKA, 2008**

JUNE 30, 2013

Gross income from all sources	\$ 228,806
Amount spent for access to facilities and use of services of library system of neighboring cities and villages	None
Amount spent for sewage disposal	None
Amount expended on water mains	None
Gross amount of sewage processed	None
Cost per thousand gallons of processing sewage	None
Amount expended for:	
a. Maintenance and repair	\$ 27,651
b. New equipment	None
c. New construction work, net of refunds of \$31,898	\$ (31,898)
d. Property purchased	None
Number of employees	None
Salaries and fees paid employees	None
Total amount of taxes levied upon property within the District	\$ 116,276

**SANITARY AND IMPROVEMENT DISTRICT NO. 240
OF SARPY COUNTY, NEBRASKA**

TRUSTEES AND RELATED BONDS

JUNE 30, 2013

<u>TRUSTEES</u>		<u>BONDS</u>	
<u>NAME</u>	<u>OFFICE</u>	<u>INSURER</u>	<u>AMOUNT</u>
Michael F. Rogers	Chairman	Western Surety Company	\$ 5,000
Joseph P. Rogers	Clerk	Western Surety Company	\$ 20,000
John C. Rogers	Trustee	None	
Tim Reich	Trustee	None	

HANCOCK & DANA PC

ACCOUNTANTS & CONSULTANTS

12829 WEST DODGE ROAD

SUITE 100

OMAHA, NEBRASKA 68154-2155

(402) 391-1065 FAX (402) 334-9498

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees
Sanitary and Improvement District No. 350
of Douglas County, Nebraska

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Sanitary and Improvement District No. 240 of Sarpy County, Nebraska, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Sanitary and Improvement District No. 240 of Sarpy County, Nebraska's basic financial statements and have issued our report thereon dated December 30, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sanitary and Improvement District No. 240 of Sarpy County, Nebraska's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sanitary and Improvement District No. 240 of Sarpy County, Nebraska's internal control. Accordingly, we do not express an opinion on the effectiveness of Sanitary and Improvement District No. 240 of Sarpy County, Nebraska's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. As described below, we did identify a certain deficiency in internal control that we consider to be a significant deficiency.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS - *Continued***

Preparation of Financial Statements

The District does not have an internal control system designed to provide for the preparation of the financial statements and notes being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

Sanitary and Improvement District No. 240 of Sarpy County, Nebraska's response to this finding is that the aforementioned circumstance is not unusual in a governmental entity of their size and that the costs of correcting this deficiency would exceed the benefits to be derived therefrom. The District's management has also informed us that they are willing to accept the degree of risk associated with this condition.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sanitary and Improvement District No. 240 of Sarpy County, Nebraska's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Sanitary and Improvement District No. 240 of Sarpy County, Nebraska's Response to Finding

Sanitary and Improvement District No. 240 of Sarpy County, Nebraska's response to the finding is described previously. Sanitary and Improvement District No. 240 of Sarpy County, Nebraska's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HANCOCK & DANA PC
Hancock & Dana PC

Omaha, Nebraska
December 30, 2013